

Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----022604 281405Z /41
O 281245Z DEC 77
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC IMMEDIATE 3917

C O N F I D E N T I A L SECTION 1 OF 2 TOKYO 19884

EXDIS

E.O. 11652: GDS
TAGS: ETRD, EAGR, JA, US
SUBJECT: JAPANESE RESPONSE ON US AGRICULTURAL TRADE REQUESTS

1. USHIBA AND MINISTER OF AGRICULTURE NAKAGAWA PRESENTED TO AMBASSADOR EVENING OF DEC. 28 GOJ RESPONSE ON AGRICULTURAL PRODUCTS, BEEF, ORANGES, AND JUICE. THEY URGED OUR UTMOST DISCRETION IN HANDLING OF BOTH FACT OF THEIR REPLY AND SUBSTANCE THEREOF. TEAM OF DIET MEMBERS NOW IN WASHINGTON AND FURTHER TEAM FROM COOPERATIVES MUST NOT BE TOLD OF GOJ PROPOSALS.

2. WE WILL BE SENDING OUR COMPREHENSIVE COMMENTS ON GOJ PACKAGE TOMORROW.

3. EMBASSY WOULD LIKE PROMPT CLARIFICATION OF US JUICE REQUEST. ASSUME 50,000 TONS IN OUR PAPER IS EQUIVALENT OF 10,000 TONS CONCENTRATE.

4. FOLLOWING IS TEXT OF PAPER HANDED US.

QUOTE

JAPAN'S VIEWS ON
BEEF, ORANGES, FRUIT JUICE

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JAPAN NOW FACES SUCH EXTREMELY SERIOUS AGRICULTURAL PROBLEMS AS HAVING TO CUT GREATLY RICE PRODUCTION BELOW CAPACITY BY 1.7 MILLION TONS (390,000 HA. OF RICE-PRODUCING ACREAGE, OR 13.4 PERCENT OF TOTAL PADDY FIELD ACREAGE), WHILE THE NATION IS ALSO BURDENED WITH SURPLUS MIKAN PRODUCTION. DESPITE THESE DIFFICULTIES, HOWEVER, AS WE NOTIFIED YOU RECENTLY, WE HAVE DECIDED TO EXPAND THE IMPORT QUOTAS

ON BEEF, ORANGES AND FRUIT JUICE.

IN VIEW OF THE IMPORTANCE OF ACHIEVING SMOOTH ECONOMIC RELATIONS BETWEEN OUR TWO NATIONS, WE HAVE DETERMINED, AFTER STUDYING YOUR RECENT VIEWS ON MR. USHIBA'S PROPOSALS, TO FURTHER EXTEND THE BEEF, ORANGE AND FRUIT JUICE QUOTAS AS DESCRIBED BELOW. PLEASE NOTE THAT THE FOLLOWING PARAGRAPHS ALSO INCLUDE OUR VIEWS ON RELATED MATTERS RAISED BY THE U.S.

I. BEEF

1. EXPANSION OF IMPORT QUOTAS

WE HAVE HERETOFORE STRIVEN TO MAINTAIN STABLE IMPORTS OF BEEF, TAKING INTO CONSIDERATION DOMESTIC PRODUCTION AND DEMAND TRENDS. WE HAVE MADE EVERY POSSIBLE EFFORT TO MEET YOUR DESIRES, HOWEVER, AND HAVE DECIDED ON THE FOLLOWING:

(1) THE QUOTA FOR HOTEL USE WILL BE RAISED FROM THE 1,000 TONS PREVAILING IN THE PAST TO 2,000 TONS IN FISCAL 1977 (APRIL 1977-MARCH 1978). FURTHERMORE, WE PLAN TO AGAIN RAISE THE HOTEL BEEF QUOTA TO 3,000 TONS IN AND AFTER FISCAL 1978 (APRIL 1978-MARCH 1979). THE OVERALL HOTEL DEMAND FOR BEEF IN JAPAN IS ESTIMATED AT APPROXIMATELY 4,000 TONS, AND THE DEMAND FROM THIS SECTOR FOR HIGH-QUALITY DOMESTICALLY-PRODUCED BEEF IS STRONG. ACCORDINGLY, THE SUPPLY OF IMPORTED BEEF CANNOT POSSIBLY, DESPITE ANYONE'S

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EFFORTS, EXCEED 3,000 TONS. TO EXPAND THE QUOTA BEYOND THIS LIMIT WOULD RAISE THE POSSIBILITY OF IMPROPER USE OUTSIDE OF HOTELS, AND MAINTENANCE OF THE HOTEL QUOTA SYSTEM ITSELF MIGHT BE ENDANGERED. FOR THIS REASON, WE CANNOT ACCEPT YOUR REQUEST TO ESTABLISH A QUOTA OF 10,000 TONS AND TO STEADILY EXPAND THIS QUOTA.

(2) IN ADDITION TO THE ABOVE, AS FOR THE IMPORTS OF BEEF UNDER THE GENERAL QUOTA MOSTLY HANDLED BY THE LIVESTOCK INDUSTRY PUBLIC CORPORATIONS, THE QUOTA WILL BE INCREASED (BY 5,000 TONS IN FISCAL 1977, AND 5,000 TONS IN THE FIRST HALF OF FISCAL 1978) AS DESCRIBED IN (3) BELOW.

AS FOR IMPORTS OF HIGH-QUALITY BEEF, AN AREA OF MAJOR CONCERN TO THE U.S., IN ADDITION TO THE EXPANSION OF HOTEL BEEF QUOTAS, WE WILL ATTEMPT, THROUGH THE LIPC, TO PROMOTE PURCHASES IN ACCORDANCE WITH LOCAL DEMAND TRENDS.

(3) REGARDING THE GENERAL QUOTA, WE WILL INCREASE BY AT LEAST 5,000 TONS ABOVE AND BEYOND THE INITIAL 40,000 TON LIMIT IN THE SECOND HALF OF THE CURRENT FISCAL 1977 (THROUGH MARCH 1978), ADOPTING THE SPECIAL MEASURE OF EXPANDING LIPC STOCKPILES.

ALSO, THE GENERAL QUOTA FOR THE FIRST HALF OF FISCAL 1978 WILL BE RAISED BY AT LEAST 5,000 TONS OVER THE 35,000 TONS OF THE SAME PERIOD OF THE PREVIOUS YEAR, BRINGING THE TOTAL TO MORE THAN 40,000 TONS.

2. CONCERNING YOUR REQUEST FOR ELIMINATION OF THE SURCHARGE, SURCHARGES ARE APPLIED TO BEEF IMPORTS PURCHASED BY JAPAN FROM THROUGHOUT THE WORLD TO ACHIEVE A PROPER ADJUSTMENT BETWEEN DOMESTIC AND FOREIGN BEEF PRICES, SO AS TO STABILIZE DOMESTIC PRICES. FOR THIS REASON, WE CANNOT ELIMINATE THE SURCHARGE.

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----022747 281426Z /40
O 281245Z DEC 77
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC IMMEDIATE 3918

C O N F I D E N T I A L SECTION 2 OF 2 TOKYO 19884

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II. ORANGES AND FRUIT JUICE

1. ORANGES

AT PRESENT, BECAUSE OF THE SERIOUS MIKAN OVERPRODUCTION, WE ARE IMPLEMENTING SUCH MEASURES AS PRODUCTION CONTROLS, MAINTENANCE OF THE PRICE OF THE FRESH FRUIT BY EXPANDING PRODUCTION OF MIKAN JUICE, AND STOCKPIILING OF THE JUICE TO REMOVE IT FROM THE MARKET. (SEE ANNEX).

(1) WE CANNOT COMPLY WITH YOUR REQUEST TO LIBERALIZE ORANGE IMPORTS DURING THE APRIL - AUGUST SEASON, FOR THE REASONS THAT:

I) ORANGES WOULD COMPETE WITH THE APPEARANCE IN THE MARKET OF LATE MATURING CITRUS FRUITS SUCH AS ORANGES, HASSAKU AND IYOKAN, THE PRODUCTION OF WHICH IS BEING IMPLEMENTED AS AN ALTERNATIVE TO PRODUCTION OF THE MIKAN, WHICH IS TURNED OUT IN EXCESS.

II) UNLIKE IN THE U.S., WHERE ORANGES CAN BE HARVESTED THE YEAR

AROUND, IN JAPAN CITRUS FRUITS ARE NORMALLY HARVESTED PRIOR TO THE ONSET OF WINTER. THEY ARE STORED AND MARKETED FOR A LONG PERIOD OF TIME THEREAFTER. THUS IN VIEW OF THE STATE OF CITRUS DISTRIBUTION IN JAPAN AND THE NATION'S STORAGE CAPACITY, SEASONAL LIBERALIZATION OF ORANGES IS VIRTUALLY TANTAMOUNT TO YEAR-AROUND LIBERALIZATION.
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(2) EXPANSION OF IMPORT QUOTAS

NEVERTHELESS, TAKING YOUR REQUEST INTO CONSIDERATION, WE WILL ADOPT THE FOLLOWING MEASURES, RAISING THE IMPORT QUOTA 3 FOLD FROM 15,000 TONS IN FISCAL 1977(EXCLUDING OKINAWA) TO 45,000 TONS IN FISCAL 1978.

I) WE WILL SET AN IMPORT QUOTA OF 18,000 TONS FOR THE FULL YEAR, INCLUDING THE ADDITIONAL 3,000 TONS WE PREVIOUSLY PROPOSED FOR FISCAL 1977.

FOR FISCAL 1978 AND THEREAFTER, WE WILL ESTABLISH A QUOTA OF 22,500 TONS, INCLUDING AN ADDITIONAL 7,500 TONS.

II) IN ADDITION TO I) ABOVE, FOR FISCAL 1978 AND THEREAFTER WE WILL ESTABLISH A NEW 22,500 TON SPECIAL SEASONAL QUOTA FOR ORANGES DURING THE PERIOD JUNE-AUGUST, WHEN RELATIVELY FEW DOMESTICALLY-PRODUCED CITRUS FRUITS ARE MARKETED.

2. FRUIT JUICE

(1) THE FISCAL 1977 IMPORT QUOTA WILL BE SET, AS WE PREVIOUSLY SUGGESTED, AT A TOTAL OF 2,000 TONS FOR ORANGE AND GRAPEFRUIT JUICE, AN INCREASE OF 1,000 TONS.

(2) FOR FISCAL 1978 AND THEREAFTER, THE IMPORT QUOTAS WILL BE SET AT 3,000 TONS FOR ORANGE JUICE AND 1,000 TONS FOR GRAPEFRUIT JUICE, A TOTAL OF 4,000 TONS.

(3) AS IN THE PAST, ORANGE JUICE WILL BE FOR BLENDING WITH DOMESTICALLY

PRODUCED FRUIT JUICE.

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NOTE: THE ABOVE FIGURES FOR FRUIT JUICE ARE FOR THAT IN ONE-FIFTHS CONCENTRATE. FOR NONCONCENTRATED JUICE, THE FIGURES SHOULD BE MULTIPLIED BY FIVE.

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE
Control Number: n/a
Copy: SINGLE
Sent Date: 28-Dec-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977TOKYO19884
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770483-0268
Format: TEL
From: TOKYO
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19771210/aaaaahxy.tel
Line Count: 227
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 05e620fb-c188-dd11-92da-001cc4696bcc
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 18-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 102610
Secure: OPEN
Status: NATIVE
Subject: JAPANESE RESPONSE ON US AGRICULTURAL TRADE REQUESTS
TAGS: ETRD, EAGR, JA, US
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/05e620fb-c188-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009